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# MENTOR

EXPLORATION AND DEVELOPMENT  
CO., LIMITED



ANNUAL  
REPORT

FOR THE YEAR ENDED DECEMBER 31ST, **1971**



# MENTOR EXPLORATION AND DEVELOPMENT CO., LIMITED

*(Incorporated under the laws of the Province of Ontario)*

<b>Executive and Head Office</b>	Suite 1101, 365 Bay Street, Toronto, Ontario
<b>Directors</b>	ARCHIE BASEN IRVING DOBBS PHILLIP DRUTZ PAUL PENNA ALBERT WASSERMAN
<b>Officers</b>	PAUL PENNA, <i>President</i> MIKEY DRUTZ, <i>Secretary-Treasurer</i>
<b>Consulting Geologist</b>	W. A. HUBACHECK, B.Sc., P.ENG.
<b>Transfer Agent and Registrar</b>	GUARANTY TRUST COMPANY OF CANADA Toronto, Ontario
<b>Auditors</b>	STARKMAN, KRAFT, ROTHMAN, BERGER & GRILL Chartered Accountants Toronto, Ontario
<b>Shares Listed</b>	TORONTO STOCK EXCHANGE Toronto, Canada
<b>Annual Meeting</b>	June 23, 1972, 10:00 a.m. (Toronto Time), The Manitoba Room, Royal York Hotel, 100 Front Street West, Toronto, Ontario

## DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors present the audited financial statements of the Company for the year ended December 31, 1971 and also the following review of corporate activities and principal investments.

The Company continues its policy of seeking mineral exploration projects and in furtherance of this is currently negotiating for two separate projects, the finalization of either or both of which is considered quite imminent. During the year, preliminary investigations were made on a number of prospects and property submissions, however none of these were recommended for further exploration or participation.

Your Company's opportunities for growth are enhanced by its investments in associated companies and other mineral oriented enterprises. In this connection, it is with considerable pleasure that your Directors report that at the general meetings of Agnico Mines Limited and Eagle Gold Mines Limited held May 26, 1972, the shareholders of each of the companies approved the amalgamation of Agnico and Eagle into one company under the name of Agnico-Eagle Mines Limited.

The effect of this amalgamation is succinctly expressed in the definition provided by both companies in their recent publication of the proposal to shareholders which stated:

*"The purpose of the proposed amalgamation is to combine the undertakings, properties and assets of Agnico and Eagle into a new single corporate entity, financially stronger and therefore in an improved position to arrange financing as required for its various projects; a company owning both gold and silver deposits which complement each other in terms of outlook and related projected potential earnings, thereby providing a sound base for future development and growth of a strong diversified silver and gold mining enterprise."*

At April 24, 1972, your Company held 356,100 shares of Agnico Mines Limited and 461,596 shares of Eagle Gold Mines Limited. These combined holdings represent 1,048,494 shares equal to 7.7% of the issued capital of Agnico-Eagle Mines Limited with a current quoted market value of approximately \$3 million. This shareholding remains unchanged at the present time.

With respect to the gold property of Eagle Gold Mines Limited — now held by the amalgamated company, Agnico-Eagle Mines Limited — the following statement made at the General Meeting of Shareholders held on May 26, 1972 is pertinent:

*"Your management (Eagle's) has completed a review of the world gold situation, the local Canadian economy and the present tonnage and grade factors of the Company's gold property."*

*"After reviewing these factors, the management has decided to formalize plans for financing the completion of the 1,000 ton per day mill at the Joutel property to enable the commencement of mining operations coincident with the assurance of a sustained higher gold price to maximize the financial return from this valuable deposit."*

In retrospect, the decision of the management of Eagle Gold Mines Limited early in 1970 to defer bringing its gold mine into production owing to the factors then described, has been amply justified by subsequent events. The free market price for gold, which was hovering at a level of just over \$35.00 per ounce in January 1970, has advanced in a quite consistent pattern, breaking through the psychological \$50.00 level early in May of 1972 and then continued to climb to a peak over \$58.00 an ounce by mid-May.

There are a number of factors influencing the free market gold price, not the least of which



## DIRECTORS' REPORT (Continued)

is the growing recognition that gold — notwithstanding its monetary future — is a commodity for which industrial and hoarding demand already exceeds new mine production, and this demand may well increase far more rapidly than the supply of gold.

Sharp price increases may bring to the market from time to time short-term supplies from the speculators but these will be essentially reducing the overall supply. And the growing gap between the new U.S. parity of \$38.00 an ounce and the free market price for gold poses a positive threat to the so-called "gentlemen's agreement" that central banks will not yield to the temptation to buy gold in non-official dealings.

For obvious reasons, governments — and in particular the United States — are not going to part with their gold at the artificially low \$38.00 official price. So the evidence mounts, from the standpoint of both industrial and monetary uses, that the price of gold should be sustained at these, if not sharply higher levels.

It augurs well for the future and profitability of the gold mine owned by Agnico-Eagle Mines Limited.

The following brief review of the salient facts concerning **Agnico-Eagle Mines Limited** is pertinent to your Company's substantial investment holding:

### Silver Division

The main emphasis of activity during 1971 was the continuation of the intensive underground development program at the leased Trout Lake Mine and the commencement of a substantial exploration program at the Frontier Mine which was leased from Canadian Keeley Mines Limited. This major undertaking in South Lorrain Township about 20 miles south of the Cobalt Camp — with ongoing expenditures approximating some \$50,000 per month — is known as the Keeley-Wettlaufer-Trout Lake Project which covers the exploration of a potential 140 acres of the lower contact of the Nipissing diabase sill.

In former operations, production from the upper contact of these properties has yielded 22.6

million ounces of silver of which 19 million were from the Frontier Mine, 2.5 million from the Agnico Wettlaufer Mine and over 1 million from the No. 1 Shaft of the Trout Lake Mine. Exploration on the Trout Lake Mine was initiated during 1968 and in mid-1970 underground drilling led to the discovery of the highgrade zone on the bottom or 850' level. Subsequent drilling and development appreciably enhanced the extent of this new ore zone and two additional zones were also located, the deepest of which is 250 feet beneath the bottom level.

The potential of the Trout Lake Mine, as presently known, is in the order of approximately one million ounces of silver. The phase-in of production from this unit is scheduled for 1972.

In addition to the major programs now in progress in South Lorrain Township, plans are being made to start preparing the Temiskaming Mine in the Cobalt Camp for dewatering the workings to the 1600' level for an extensive exploration program of the lower contact of the Nipissing diabase sill both on this and the Company's contiguous Cobalt Lake and Christopher Mines.

### Gold Division

The principal features of the gold property in Joutel Township, Quebec, have been previously described in detail. The mine is developed through a shaft and underground workings with 11 levels established at 150-ft. intervals and considerable lateral development including stope preparation has been carried out on six levels from the 750-ft. level down to the 1,500-ft. level.

Proven and probable reserves in the area of the mine from the 900-ft. to the 1500-ft. levels where underground work is most advanced, are estimated at 753,909 tons averaging 0.307 ounce of gold per ton. The drill-indicated or possible reserves calculated for the area above the 750-ft. level and down to the 1,800-ft. horizon, are estimated at 2,397,748 tons averaging 0.285 ounce of gold per ton. These estimates include a 15% dilution allowance.

The total tonnage involved amounting to 3,151,657 tons averaging 0.29 ounce of gold per

ton lies between the 300 and 1800 foot levels. The zone is open for extension and to depth. The fact that the orebody is a sulphide type rather than a quartz vein type deposit, suggests the chances for extension to greater depth are good. There is also the possibility of other bodies occurring on strike and also on depth.

The tonnages, as presently defined, would be adequate to maintain operations for an approximate ten year period at the rate of 1,000 tons daily or 350,000 tons per year. The present ore reserve provides an adequate basis for production projections; the potential for continuity of this sulphide type orebody both to depth and to the east into the Telbel claims has not been delimited. It is estimated that approximately nine months would be required to complete the final phase of the underground work and the surface construction to bring the mine into production from the time this work is initiated.

To date, the sum of \$4,135,518 has been expended in fixed assets and \$5,258,576 in deferred expenses in connection with the program of

underground development and construction of the mining and ore treatment facilities.

### **Financial**

Your Company's working capital at December 31, 1971 amounted to \$565,599 which compares with \$163,462 the previous year end. In addition to the substantial shareholdings in Agnico and Eagle (now Agnico-Eagle Mines Limited) your Company holds 1,235,582 shares of its associated company, Sudbury Contact Mines, Limited.

Subsequent to the year end, your Company purchased under a private placement agreement, 100,000 shares of Goldex Mines Limited at a price of \$1.25 per share.

On behalf of the Board of Directors,

"PAUL PENNA"

President

June 1, 1972



# BALANCE SHEET — *as at December 31, 1971*

(with comparative figures as at December 31, 1970)

## ASSETS

### CURRENT ASSETS

Cash .....  
Marketable securities, at lower of cost and market (market value 1971 — \$825,105; 1970 — \$589,280) ..  
Prepaid expenses .....

### INVESTMENTS

Shares of Eagle Gold Mines Limited, at lower of cost and market (market value 1971 — \$1,231,459;  
1970 — \$1,071,351) .....  
Due on sale of shares of Eagle Gold Mines Limited .....

Shares of affiliated company, at cost (market value 1971 — \$327,429; 1970 — \$411,796) .....  
Investment in and advances to other companies  
— unlisted and escrowed securities, at cost or less .....  
— advances .....

### FIXED ASSETS, at cost

Office furniture .....  
Less: Accumulated depreciation .....

Mining claims and properties .....

DEFERRED EXPLORATION EXPENDITURES (Note 1) .....

## LIABILITIES AND SHAREHOLDERS' EQUITY

### CURRENT LIABILITIES

Bank loan, secured by certain securities .....  
Accounts payable and accrued liabilities .....  
Payable to brokers, secured by certain securities .....

### SHAREHOLDERS' EQUITY

Capital (Note 2)  
Authorized — 5,000,000 shares, without par value .....  
Issued and Fully Paid — 3,455,746 shares .....  
RETAINED EARNINGS .....

The accompanying notes form an integral part of these financial statements.

# MENTOR EXPLORATION AND DEVELOPMENT CO., LIMITED

## AUDITORS' REPORT TO THE SHAREHOLDERS

1971	1970
\$ 3,500	\$ 16,178
660,529	324,958
2,510	2,973
<u>\$ 666,539</u>	<u>\$ 344,109</u>
\$ 824,236	\$ 825,988
—	221,375
<u>\$ 824,236</u>	<u>\$1,047,363</u>
204,919	99,919
13,460	13,460
106	940
<u>\$1,042,721</u>	<u>\$1,161,682</u>
\$ 3,384	\$ 3,384
2,237	1,898
<u>\$ 1,147</u>	<u>\$ 1,486</u>
130,058	139,308
<u>\$ 131,205</u>	<u>\$ 140,794</u>
<u>\$ 394,401</u>	<u>\$ 417,933</u>
<u>\$2,234,866</u>	<u>\$2,064,518</u>

\$ 88,000	\$ 65,000
3,625	3,486
9,315	112,161
<u>\$ 100,940</u>	<u>\$ 180,647</u>

\$1,802,966	\$1,802,966
330,960	80,905
<u>\$2,133,926</u>	<u>\$1,883,871</u>
<u>\$2,234,866</u>	<u>\$2,064,518</u>

*We have examined the balance sheet of Mentor Exploration and Development Co., Limited as at December 31, 1971 and the statements of administrative expenses, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.*

*In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1971 and the results of its operations and the source and application of its funds for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.*

STARKMAN, KRAFT, ROTHMAN, BERGER & GRILL  
Chartered Accountants

Toronto, Ontario,  
March 22, 1972.

Approved on behalf of the Board of Directors:

PAUL PENNA, Director.

PHILIP DRUTZ, Director.



# MENTOR EXPLORATION AND DEVELOPMENT CO., LIMITED

## STATEMENT OF ADMINISTRATIVE EXPENSES

For the Year Ended December 31, 1971

(With comparative figures for the year ended December 31, 1970)

EXPENSES	1971	1970
Administration, office and accounting .....	\$ 10,800	\$ 9,000
Interest and bank charges .....	5,480	7,641
Legal and audit .....	7,459	5,772
Shareholders' information .....	6,164	4,210
Consulting fees, general .....	5,909	2,102
Transfer agent fees .....	4,498	1,994
Miscellaneous .....	4,202	1,688
Depreciation, office furniture .....	339	339
Directors' fees .....	1,050	250
	<u>\$ 45,901</u>	<u>\$ 32,996</u>
Less: Dividends earned .....	\$ 1,200	\$ —
Gain on sale and revaluation of marketable securities and investments .....	328,291	153,374
	<u>\$ 329,491</u>	<u>\$ 153,374</u>
NET ADMINISTRATIVE REVENUE FOR THE YEAR .....	<u>\$ 283,590</u>	<u>\$ 120,378</u>

## STATEMENT OF RETAINED EARNINGS

For the Year Ended December 31, 1971

(With comparative figures for the year ended December 31, 1970)

	1971	1970
RETAINED EARNINGS (DEFICIT), beginning of year .....	\$ 80,905	\$ (17,600)
Less: Exploration expenditures written off		
— Red Lake Area .....	(24,285)	( 880)
— Poirier Township .....	—	(18,123)
Claims dropped — Red Lake Area .....	( 9,250)	—
Option on claims dropped — Poirier Township .....	—	( 2,000)
— Red Lake Area .....	—	( 500)
Advances to other company written off .....	—	( 370)
	<u>\$ 47,370</u>	<u>\$ (39,473)</u>
Add: Net administrative revenue for the year .....	283,590	120,378
RETAINED EARNINGS, end of year .....	<u>\$ 330,960</u>	<u>\$ 80,905</u>

The accompanying notes form an integral part of these financial statements.



# MENTOR EXPLORATION AND DEVELOPMENT CO., LIMITED

## STATEMENT OF DEFERRED EXPLORATION EXPENDITURES

For the Year Ended December 31, 1971

(With comparative figures for the year ended December 31, 1970)

EXPENDITURES DURING YEAR	1971	1970
Gillies Limit, Cobalt		
Licences, fees and taxes .....	\$ 127	\$ 118
Sycee Group, Cobalt		
Maintenance .....	\$ —	\$ 1,077
Red Lake Area		
Consulting .....	\$ —	\$ 539
Travel .....	—	328
Exploration and general field expenses .....	—	13
		\$ 880
Other Properties		
Licences, fees and taxes .....	\$ 626	\$ 642
TOTAL EXPENDITURES DURING YEAR .....	\$ 753	\$ 2,717
DEFERRED EXPLORATION EXPENDITURES, beginning of year .....	417,933	434,219
	\$ 418,686	\$ 436,936
Less: Amounts written off to retained earnings		
— re Red Lake area .....	(24,285)	( 880)
— re Poirier Township .....	—	(18,123)
DEFERRED EXPLORATION EXPENDITURES, end of year .....	\$ 394,401	\$ 417,933

## SUMMARY OF DEFERRED EXPLORATION EXPENDITURES

	1971	1970
Sycee Group .....	\$ 292,150	\$ 292,150
Hill Group .....	62,080	61,582
Gillies Limit .....	22,862	22,735
Cobalt area .....	15,229	15,229
Halet Group .....	1,696	1,568
Chandler Group .....	384	384
Red Lake area .....	—	24,285
	\$ 394,401	\$ 417,933

The accompanying notes form an integral part of these financial statements.



# MENTOR EXPLORATION AND DEVELOPMENT CO., LIMITED

## STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the Year Ended December 31, 1971

(With comparative figures for the year ended December 31, 1970)

SOURCE OF FUNDS	1971	1970
Proceeds on sale of investments .....	\$ 698,713	\$ 262,932
Gain on sale of marketable securities .....	82,079	68,222
Dividends earned .....	1,200	—
Repayment of advances to other companies .....	834	—
	<u>\$ 782,826</u>	<u>\$ 331,154</u>
APPLICATION OF FUNDS		
Administrative expenses .....	\$ 45,901	\$ 32,996
Less: Depreciation .....	339	339
	<u>\$ 45,562</u>	<u>\$ 32,657</u>
Exploration expenditures .....	753	2,717
Purchase of investments .....	555,749	136,456
Purchase of mining claims and options .....	—	500
Due on sale of shares of Eagle Gold Mines Limited .....	(221,375)	221,375
Investment in and advances to other companies .....	—	42
	<u>\$ 380,689</u>	<u>\$ 393,747</u>
INCREASE (DECREASE) IN WORKING CAPITAL .....	402,137	(62,593)
WORKING CAPITAL, beginning of year .....	163,462	226,055
WORKING CAPITAL, end of year .....	<u>\$ 565,599</u>	<u>\$ 163,462</u>

The accompanying notes form an integral part of these financial statements.

## NOTES TO FINANCIAL STATEMENTS

December 31, 1971

1. The amounts shown for deferred exploration expenditures represent costs to date less amounts written off and are not intended to reflect present or future values.
2. During the year the company changed its authorized and issued shares from 50¢ par value each to no par value.
3. Certain 1970 figures have been reclassified to conform with the presentation adopted for 1971.







